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ARTICLES:

- (1) Post-Koizumi contenders -- A study of Yasuo Fukuda (Part 1):
Widening support of Fukuda but he hides his true intentions

NIHON KEIZAI (Page 2) (Slightly abridged)

June 5, 2006

"Japan faces a number of problems, for instance, the declining birth rate, budget deficits, and rising countries in the region. Let's act together and strive for the development of Japan." Yasuo Fukuda made this remark in an opening speech given at a political fund-raising party on May 31 of the Liberal Democratic Party's (LDP) Mori faction, addressing an audience filling the party hall. Some may take the remark as expressing his willingness to run in the LDP presidential race to determine a successor to Prime Minister Koizumi, but others may take it as simply showing his general views.

Fukuda appears less attentive to his rising popularity in the polls. He at times gives an impression of ignoring them, but he does not dismiss them altogether. His attitude is unique, compared to other potential post-Koizumi contenders who are gradually making clear their intentions to run in the presidential election.

Growing distrust of Koizumi-led Asia diplomacy

On the morning of May 7, 2004, Fukuda telephoned his eldest son, Tatsuya, who serves as personal secretary to him, and to people working for him in his constituency in Takasaki City, Gunma Prefecture, to say: "I am stepping down from the post (of chief cabinet secretary)."

One week before he resigned from his post, Fukuda pressed Prime Minister Junichiro Koizumi in his office to listen to him. Koizumi was making preparations secretly to revisit North Korea, but Fukuda openly raised doubts about the way Koizumi was

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preparing for such a revisit.

Fukuda: "As chief cabinet secretary, I have not been informed of the revisiting plan. The Foreign Ministry also has told me it has no idea about it. Who is in charge of the revisit plan?"

Koizumi: "I can't reveal anything."

Fukuda: "Please tell me."

Koizumi: "I can't"

Fukuda: "Please tell me."

Koizumi: "I can't"

Recently Fukuda has raised criticism about Koizumi's visits to Yasukuni Shrine. Fukuda said clearly: "When you discuss something with someone, you need to factor in the circumstances surrounding that person, or you will end up merely having a quarrel with that person. It's terrible for the top leaders as well as the peoples of the two countries to become emotional toward each other." This remark reflects Fukuda's distress that he was unable to persuade Koizumi not to visit the shrine.

"I have unfinished tasks, such as Iraq, North Korea, and Yasukuni Shrine. I can't put all the responsibilities on the prime minister." On April 25, Fukuda concluded his speech by this remark, thereby revealing his willingness to reshape Japan's Asia diplomacy.

Magnet to anti-Koizumi forces

Fukuda's distrust of Koizumi's diplomacy and his criticism of Koizumi are viewed as the antithesis of Shinzo Abe, who is likely to take over Koizumi's policy lines. So, Fukuda is in a way magnet to veteran lawmakers alarmed by the generational change, as well as anti-Koizumi and anti-Abe forces.

Fukuda himself gives the impression that he trying to gain broader support. Taku Yamasaki, Koichi Kato and are active

members of a nonpartisan parliamentary league that wants to construct a memorial facility to replace Yasukuni Shrine. Fukuda also assumed the post of chair of a group of lawmakers first elected to the Diet when they were in their 50s, "Chimei Risshi Kai".

Fukuda, however, never reveals his true intentions even to fellow lawmakers, always making formal comments at the formal stage. A certain veteran legislator said when he dined with Fukuda, he suggested, "If you run in the race, I will endorse you," but Fukuda would not make clear his attitude. This lawmaker grumbled: "I was disappointed."

When it comes to Abe, who is also a member of the same Mori faction as Fukuda, Abe has mid-level and junior lawmakers inside and outside the faction as his supporters. They are hoping for Abe to become the prime minister. Former Prime Minister Yoshiro Mori, who heads the faction, made this comment: "Mr. Abe has more members in the party to stand up for him than Mr. Fukuda. Only a few hold discussions with Mr. Fukuda."

Fukuda's continued silence could set a mood for the faction to

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unify around Abe, and if such becomes the case, chances cannot be ruled out that groups tending to jump on the bandwagon will move to endorse other candidates.

Is the time ripe for Fukuda to run? Will his running in the race end up as an elusive dream? All eyes in the party are now fixed on Fukuda's every movement.

(2) Challenges of resources-poor country: Energy security (Part 3): Strategy to independently develop oilfields shifted toward private sector

SANKEI (Page 3) (Abridged)
June 3, 2006

The Rang Dong offshore oilfield sitting 130 kilometers east of the southern Vietnamese tourist spot of Vung-tau began production eight years ago. It has produced over 100 million barrels of crude oil, from which it was easy to extract gasoline and other types of fuel.

The Rang Dong oilfield was explored and developed under the initiative of Japanese corporations. Mitsubishi Oil Co. (currently Nippon Oil Corp.) won rights to a drilling area in 1992. Reportedly, the successful oil development rate is 0.3%. Against all odds, Japan Vietnam Petroleum Co. (JVPC), established in 1992, successfully struck oil deposits in its first test drilling.

The JVPC was financed 44% by the now-defunct Japan National Oil Corporation (JNOC), which has been launched in 1967 with the aim of providing oil development projects with public financing. For Japan, which was poor in natural resources, independently developing oilfields was essential in order to ensure access to oil. The launching of JNOC was seen as having great significance.

But an oil company exploration engineer revealed that the only exploration projects that companies brought to JNOC were those with little promise. JNOC injected funds into projects without checking their profitability, while the private sector leaned on the JNOC to avoid risks. Such a system came to light in June 1998. At that point, JNOC was saddled with 1.4 trillion yen in bad loans despite the fact that it had funneled 2 trillion yen into oil exploration and development.

The Rang Dong Oilfield is one of the few successful projects JNOC handled. In December 2001, the government finally made a cabinet decision to abolish JNOC after reassessing special corporations in general, putting an end to Japan's independent effort to expand the development of oilfields in collaboration with the private sector.

It has been four years and a half since then. The government is again trying to shift back to independent development of oilfields. Oil prices are now at historic highs¹, and demand for oil in China and India is growing due to their economic development. Given the intensifying global race to corner natural resources, Petroleum Association of Japan President Fumiaki Watari is welcoming the government's policy shift. The government has drafted a national energy strategy incorporating a target of increasing the ratio of independently developed oil to imported oil from the current 15% to 40% by the year 2030.

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Prior to the abolition of JNOC, the oil industry fiercely objected to the government's decision not to set import targets. They feared that the absence of targets would result in a lack of public support measures. Part of JNOC's operations, including providing oil development funds, have been handed down to Japan Oil, Gas, and Metals National Corporation (JOGMEC). The organization has yet to provide funds to any exploration project. It is probably because a set of screening criteria have been tightened based on criticism of JNOC. An industrial source criticized the government's policy shift, saying, "There was no need to abolish JNOC."

Former International Trade and Industry Minister Mitsuo Horiuchi, who had shed light on the actual situation of JNOC, defended the government's decision, saying: "We had to get rid of JNOC's wasteful spending and sloppy accounting, but Japan still needs an oil policy that backs up the private sector."

With the skyrocketing of oil prices, having stable oil resources is increasingly vital. Japan can no longer afford to invest in projects by disregarding their profitability. The country is in need of a new scheme to expand the independent development of oilfields at the initiative of the private sector.

(3) Ozawa's explanation about his poor health creates rumor that he would let other party member serve in the prime minister's post if Minshuto took power

SENTAKU (Page 46) (Full)
June 2006

A rumor is going around the political district of Nagatacho that Ichiro Ozawa, president of the main opposition party Minshuto (Democratic Party of Japan), does not want to become prime minister.

The reason is because Ozawa has explained the details of his health condition at a press conference. A senior Minshuto member was perplexed by his remarks and said, "It is tantamount to admitting that he cannot fulfill the job of prime minister." Ozawa aims at a regime change by winning next year's House of Councillors election. Some Minshuto members, however, have already talked about a possibility that if the party takes power, Ozawa would let another party member assume the prime minister's post, while continuing to wield influence behind the scenes.

(4) Contrasting health conditions of two New Komeito leaders

SENTAKU (Page 44) (Full)
June 2006

A rumor is going around that New Komeito leader Takenori Kanzaki collapsed on May 15 while dining at an eel restaurant in the Akasaka district. He also fell down at a Chinese restaurant on March 2, though he does not have a serious illness.

The New Komeito has already decided that Kanzaki will step down from his post to make way for a new leadership. The question is how to treat Secretary General Tetsuzo Fuyushiba, who enjoys vigorous health. The dominant view in the party is that there is no other choice for the party to give an key cabinet post to

Fuyushiba and have Kazuo Kitagawa, who is now serving as minister of land, infrastructure and transport, return to the ranks of the

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party.

(5) Opposition feels sorry for Internal Affairs Minister Takenaka

SENTAKU (Page 45) (Full)
June 2006

The rumor is that Heizo Takenaka, minister of internal affairs and communications, has become somewhat reclusive. But appearing recently at a seminar held in Kyoto, he seemed in high spirits. He named the encirclement net around him as the "fourth round of Takenaka bashing"; and he criticized bureaucrats who had tried to protect their vested interests by opposing the government's postal-privatization plan and reform of the government-affiliated financial institutions.

Takenaka, has changed himself into "a person attentive to other persons," and he calls daily on LDP Upper House Secretary General Toranosuke Katayama, who has influence over the administration of the Internal Affairs Ministry, to consult with him prior to negotiations with the party on policy issues. Because of his efforts, criticism of Takenaka in the Upper House has weakened.

It is true, though, that Takenaka's policy influence has waned since he lost two backers: the Council on Economic and Fiscal Policy and Prime Minister Junichiro Koizumi. An opposition camp lawmaker was sympathetic to Takenaka, saying, "He continues to provoke the Finance Ministry, the same way he did when he was a standard-bearer for Prime Minister Koizumi's reform drive." The same lawmaker criticized Koizumi, noting, "Mr. Takenaka was taken advantage as much as possible. I feel sorry for him."

(6) Name of Vice Minister Shotaro Yachi floated as possible next ambassador to US

THEMIS (Page 37) (Full)
June 2006

The Foreign Ministry has been having difficulties in choosing a replacement for Ambassador to the US Ryoza Kato, who has served in his post more than the usual four-year term.

According to a major daily political reporter, the possibility is that Administrative Vice Foreign Minister Shotaro Yachi, who may retire from the ministry this summer, will be appointed as the next ambassador to the US after matters simmer down.

If that is the case, the names of deputy ministers Tsuneo Nishida and Mitoji Yabunaka will be mentioned as the successor to Yachi. Nishida is desperate to play up his capability at the mid-July Group of Eight summit in St. Petersburg, according the political reporter.

If Yachi remains in his post beyond the summer, "Nishida would become the ambassador to the US," said the political reporter.

Attention is also focused on the next destination of Ambassador to China Koreshige Anami, who retired as of May 8. He reportedly will serve as advisor to a major private company that conducts business with China. Anami was quoted as telling persons around him, "I have received job offers from two companies. But I want to be free for about six months."

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(7) Asahi again suspected of altering Yasukuni statement

SENTAKU (Page 99) (Full)

June 2006

"Japan, which cannot even engage in a dialogue with neighboring countries, is completely useless to the United States." On April 30, the Asahi Shimbun's morning edition front-paged this statement reportedly made by an American academic. According to the newspaper, Kent Calder, Director of the Edwin O. Reischauer Center for East Asia Studies, Johns Hopkins University, made the comment in an article titled "Yasukuni issue casting a shadow on Japan-United States relations." But Calder flatly denied the quote in the Asahi report, saying, "I did not say such a thing." An angry Calder reportedly protested to the Asahi.

The Asahi seems to have altered Calder's statement to fit its standpoint. An American expert noted:

"Most American intellectuals are opposed to Prime Minister Koizumi's visits to Yasukuni Shrine. The paper should have quoted such a person. There was no need to alter a conversation."

(8) Local discontent with GSDF grows in Samawah, Iraq; "Our livelihood has not improved during the past two years"

YOMIURI (Page 7) (Full)
June 3, 2006

Keiko Iizuka, Samawah (in the southern part of Iraq)

The multinational forces in southern Iraq will transfer security control this month to the city of Samawah in Muthanna Province where Japan's Ground Self-Defense Force (GSDF) troops have been deployed for reconstruction assistance. Samawah will become the first recipient of such authority. The city is relatively stable in terms of public safety, but it suffers from a high jobless rate and slow progress in the reconstruction of its infrastructure. As a result, local discontent remains unabated.

After consulting with Iraq's legitimate government and then assessing the security in each province, the multinational forces will transfer security authority to the province, Muthanna being the first case.

British and Australian forces are deployed at Camp Smitty in Samawah. British Captain Hugo Lloyd (TN: phonetic) in charge of operation plans in Camp Smitty said: "Muthanna will become a symbol of democratization in Iraq as well as progress in reconstruction in that country. Japan's Self-Defense Forces' participation in reconstruction of Iraq is significant in historical terms."

Compared to Basra, a largest city in south of Iraq where the security situation is deteriorating at a faster pace, Samawah is said to be relatively stable, but on May 31, tensions heightened in the city, following the discovery of roadside bombs at three locations around the city. In addition, another incident occurred in May involving the insurgent Mahdi Army, which attacked local police. Samawah is not in a completely quiet situation. In addition, slow progress in rebuilding the infrastructure is adding fuel to local discontent. On June 1, a power failure occurred involving the whole city in the evening on a day when

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soaring temperature reached 49 degrees. The power failure lasted for nine hours.

Locals now direct their discontent at the GSDF, dismissing the previous strong expectations of the troops they when reconstruction activities were launched in 2004.

A 37-year-old English language teacher, Wahimu (TN: phonetic), complained to this reporter on June 2: "I couldn't sleep today, either, because it was (terribly hot) all night long. Our lives have not improved although it's been two years since Japan's Self-Defense Forces troops began their work here."

An interpreter, Wadihi (TN: phonetic), 32, also complained about SDF personnel for tending to confine themselves to their camp: "Rebuilding schools and hospitals is important, but we urgently need electricity for our livelihood. A relative of mine living in a neighboring province told me, 'It's good that people from Japan that is famous for Sony and Toyota have come and stayed,' but I disagree. I would like SDF personnel to visit people like me and listen firsthand to what our needs are."

Because Japan is a technological giant, Iraqis have had high hopes that it would help rebuild the electric power system to bring a stable supply of electricity to the country, since power shortages remain a serious problem across the country. Local disappointment with Japan is the other side of the coin of their previous strong expectation of the GSDF.

The GSDF has hired some 600 local residents for daily reconstruction work. It has already completed repair work on more than 200 schools and bridges. The British forces' headquarters in Basra praises Japanese troops deployed here: "The SDF, based on their remarkable work precision, have been highly appreciated by the coalition forces."

Captain Lloyd said: "A grand ceremony will be held at Camp Smitty at the time of the transfer of security authority to Muthanna Province." The ceremony will mark the time for the GSDF to end its activities in the region, but that does not mean that local discontent will be eased.

SCHIEFFER